

# Senate Study Bill 3251

SENATE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON  
WAYS AND MEANS BILL BY  
CO=CHAIRPERSONS BOLKCOM  
AND ZIEMAN)

Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act concerning residential property and property taxation  
2 within a self-supported municipal improvement district and  
3 providing that related notices may be sent by first class  
4 mail.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
6 TLSB 6587SC 81  
7 eg/gg/14

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1 1 Section 1. Section 386.1, Code 2005, is amended by adding  
1 2 the following new subsection:  
1 3 NEW SUBSECTION. 4A. "Neighborhood" means an area zoned,  
1 4 in whole or at least in part, for residential use that may  
1 5 include an area zoned for commercial or industrial use.  
1 6 Sec. 2. Section 386.3, subsection 1, paragraph a, Code  
1 7 2005, is amended to read as follows:  
1 8 a. Be comprised of contiguous property wholly located  
1 9 within the boundaries of the city. ~~A self-supported municipal~~  
~~1 10 improvement district shall be comprised only of property in~~  
~~1 11 districts which are and one of the following:~~  
1 12 (1) An area zoned for commercial or industrial uses and  
~~1 13 properties within a use.~~  
1 14 (2) A duly designated historic district or a duly  
~~1 15 designated historic district together with residential~~  
~~1 16 properties adjacent to and within three hundred feet of the~~  
~~1 17 boundary of such duly designated historic district.~~  
1 18 (3) A neighborhood.  
1 19 Sec. 3. Section 386.3, subsection 4, Code 2005, is amended  
1 20 to read as follows:  
1 21 4. Upon the receipt of the commission's final report the  
1 22 council shall set a time and place for a meeting at which the  
1 23 council proposes to take action for the establishment of the  
1 24 district, and shall publish notice of the meeting as provided  
1 25 in section 362.3, and the clerk shall send a copy of the  
1 26 notice by certified first class mail not less than fifteen  
1 27 days before the meeting to each owner of property within the  
1 28 proposed district at the owner's address as shown by the  
1 29 records of the county auditor. If a property is shown to be in  
1 30 the name of more than one owner at the same mailing address, a  
1 31 single notice may be mailed addressed to all owners at that  
1 32 address. Failure to receive a mailed notice is not grounds for  
1 33 objection to the council's taking any action authorized in  
1 34 this chapter.  
1 35 Sec. 4. Section 386.4, subsection 1, Code 2005, is amended  
2 1 to read as follows:  
2 2 1. ~~The~~ Except as provided in subsection 6, the ordinance  
2 3 creating the district may be amended and property may be added  
2 4 to the district and the maximum rate of taxes referred to in  
2 5 the ordinance may be increased at any time in the same manner  
2 6 and by the same procedure as for the establishment of a  
2 7 district. All property added to a district shall be subject to  
2 8 all taxes currently and thereafter levied including debt  
2 9 service levies for bonds previously or thereafter issued.  
2 10 Sec. 5. Section 386.4, subsection 6, Code 2005, is amended  
2 11 to read as follows:  
2 12 6. All other provisions in section 386.3 shall apply to an  
2 13 amended district and to the ordinance amending the ordinance

2 14 creating the district with the same effect as they apply to  
2 15 the original district and the ordinance creating the original  
2 16 district. Notwithstanding section 386.3, subsection 2,  
2 17 paragraph "a", the signatures of at least twenty-five percent  
2 18 of all owners of residential property that is proposed to be  
2 19 added to a duly designated historic district are required to  
2 20 initiate amendment proceedings. These signatures must  
2 21 together represent ownership of residential property with an  
2 22 assessed value of twenty-five percent or more of the assessed  
2 23 value of all of the residential property to be added to a duly  
2 24 designated historic district.

2 25 Sec. 6. Section 386.8, Code 2005, is amended to read as  
2 26 follows:

2 27 386.8 OPERATION TAX.

2 28 A city may establish a self-supported improvement district  
2 29 operation fund, and may certify taxes not to exceed the rate  
2 30 limitation as established in the ordinance creating the  
2 31 district, or any amendment thereto, each year to be levied for  
2 32 the fund against all of the property in the district, for the  
2 33 purpose of paying the administrative expenses of the district,  
2 34 which may include but are not limited to administrative  
2 35 personnel salaries, a separate administrative office, planning  
3 1 costs including consultation fees, engineering fees,  
3 2 architectural fees, and legal fees and all other expenses  
3 3 reasonably associated with the administration of the district  
3 4 and the fulfilling of the purposes of the district. The taxes  
3 5 levied for this fund may also be used for the purpose of  
3 6 paying maintenance expenses of improvements or self=  
3 7 liquidating improvements for a specified length of time with  
3 8 one or more options to renew if such is clearly stated in the  
3 9 petition which requests the council to authorize construction  
3 10 of the improvement or self-liquidating improvement, whether or  
3 11 not such petition is combined with the petition requesting  
3 12 creation of a district. Parcels Except for residential  
3 13 property within a duly designated historic district, parcels  
3 14 of property which are assessed as residential property for  
3 15 property tax purposes and are located within a district  
3 16 created prior to July 1, 2006, are exempt from the tax levied

3 17 under this section except residential properties within a duly  
3 18 designated historic district. However, the ordinance creating  
3 19 a district including a duly designated historic district may  
3 20 be amended pursuant to section 386.4 to specifically identify  
3 21 and add such residential property to the existing district and  
3 22 make such property subject to the tax. A tax levied under  
3 23 this section is not subject to the levy limitation in section  
3 24 384.1.

3 25 Sec. 7. Section 386.9, Code 2005, is amended to read as  
3 26 follows:

3 27 386.9 CAPITAL IMPROVEMENT TAX.

3 28 A city may establish a capital improvement fund for a  
3 29 district and may certify taxes, not to exceed the rate  
3 30 established by the ordinance creating the district, or any  
3 31 subsequent amendment thereto, each year to be levied for the  
3 32 fund against all of the property in the district, for the  
3 33 purpose of accumulating moneys for the financing or payment of  
3 34 a part or all of the costs of any improvement or self=  
3 35 liquidating improvement. However Except for residential

4 1 property within a duly designated historic district, parcels  
4 2 of property which are assessed as residential property for  
4 3 property tax purposes and are located within a district  
4 4 created prior to July 1, 2006, are exempt from the tax levied  
4 5 under this section except residential properties within a duly  
4 6 designated historic district. However, the ordinance creating  
4 7 a district including a duly designated historic district may  
4 8 be amended pursuant to section 386.4 to specifically identify  
4 9 and add such residential property to the existing district and  
4 10 make such property subject to the tax. A tax levied under  
4 11 this section is not subject to the levy limitations in section  
4 12 384.1 or 384.7.

4 13 Sec. 8. Section 386.10, Code 2005, is amended to read as  
4 14 follows:

4 15 386.10 DEBT SERVICE TAX.

4 16 A city shall establish a self-supported municipal  
4 17 improvement district debt service fund whenever any self=  
4 18 supported municipal improvement district bonds are issued and  
4 19 outstanding, other than revenue bonds, and shall certify taxes  
4 20 to be levied against all of the property in the district for  
4 21 the debt service fund in the amount necessary to pay interest  
4 22 as it becomes due and the amount necessary to pay, or to  
4 23 create a sinking fund to pay, the principal at maturity of all  
4 24 self-supported municipal improvement district bonds as

4 25 authorized in section 386.11, issued by the city. ~~However~~  
4 26 ~~Except for residential property within a duly designated~~  
4 27 ~~historic district,~~ parcels of property which are assessed as  
4 28 residential property for property tax purposes at the time of  
4 29 the issuance of the bonds ~~and are located within a district~~  
4 30 ~~created prior to July 1, 2006,~~ are exempt from the tax levied  
4 31 under this section until the parcels are no longer assessed as  
4 32 residential property ~~or until the residential properties are~~  
4 33 ~~designated as a part of an historic district. However, the~~  
4 34 ~~ordinance creating a district including a duly designated~~  
4 35 ~~historic district may be amended pursuant to section 386.4 to~~  
5 1 ~~specifically identify and add such residential property to the~~  
5 2 ~~existing district and make such property subject to the tax.~~

5 3 EXPLANATION

5 4 Code chapter 386 currently allows a city to create a self=  
5 5 supported municipal improvement district comprised of areas  
5 6 zoned for commercial or industrial use and property within a  
5 7 duly designated historic district. This bill allows the city  
5 8 to create a district comprised of an area zoned, in whole or  
5 9 at least in part, for residential use, known as a  
5 10 neighborhood. Any combination of residential, commercial, or  
5 11 industrial properties may comprise a district.  
5 12 The bill also allows a city to create a district comprised  
5 13 of properties within a duly designated historic district and  
5 14 residential properties adjacent to and within 300 feet of the  
5 15 boundary of such duly designated historic district. A duly  
5 16 designated historic district may be amended pursuant to Code  
5 17 section 386.4 to add residential properties to the district.  
5 18 The bill modifies the signature requirement for such an  
5 19 amendment.

5 20 Currently, residential properties located within a district  
5 21 comprised of commercial or industrial properties are exempt  
5 22 from taxes levied under this Code chapter. This exemption  
5 23 will continue for districts created prior to July 1, 2006.  
5 24 The ordinance creating a district may be amended pursuant to  
5 25 Code section 386.4 to add residential property to the existing  
5 26 district and make such property subject to the tax.

5 27 Code chapter 386 requires the city to send notices of  
5 28 meetings, to establish or amend a district, for example, to  
5 29 each affected property owner by certified mail. The bill  
5 30 provides that the notice be sent by first class mail.

5 31 LSB 6587SC 81

5 32 eg:rj/gg/14